
CANADA~ONTARIO

General

Development

Agreement

A JOINT REVIEW

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CANADA/ONTARIO
GENERAL DEVELOPMENT AGREEMENT

JOINT REVIEW

December 31, 1982

March 31, 1983

MEMORANDUM TO: The Honourable Edward C. Lumley
Minister of Regional Economic Expansion

The Honourable Frank S. Miller
Treasurer of Ontario and Minister of Economics

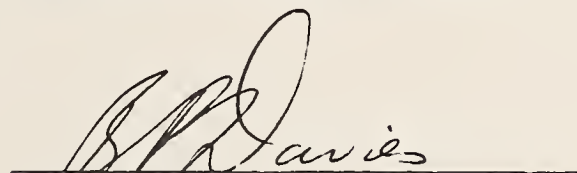
RE: Canada/Ontario General Development Agreement
Annual Joint Review

As provided under Sections 9.1 and 10 of the Canada/Ontario General Development Agreement (GDA), we herewith submit our annual report on the implementation of this Agreement. The report is a review of program implementation of all agreements subsidiary to the GDA for the period from February 26, 1974 to December 31, 1982. However, the financial reporting is for a shorter time-frame, ending March 31, 1982.

We recommend that you sign the attached letter of introduction to the Joint Review and that the report be released to the public.



John D. Blackwood
Executive Director
Ontario Region
Industry Trade and Commerce/
Regional Economic Expansion

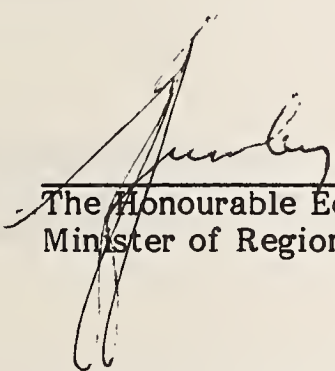


Bryan P. Davies
Assistant Deputy Minister
Ministry of Treasury and Economics


CANADA/ONTARIO GENERAL DEVELOPMENT AGREEMENT

The following report is presented as a joint review of the implementation of the Canada/Ontario General Development Agreement as prepared by our staffs. It constitutes a review of program implementation under all subsidiary agreements during the period from February 26, 1974 to December 31, 1982. All financial reporting, however, is for a more limited timeframe, ending March 31, 1982.

We hope you find this report both interesting and useful.



The Honourable Edward Lumley
Minister of Regional Economic Expansion



The Honourable Frank S. Miller
Treasurer of Ontario and Minister of
Economics

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INTRODUCTION

Background

In 1974, the Canadian Government, through the Department of Regional Economic Expansion (DREE), introduced a new policy framework for co-operation in regional economic development between the federal and provincial governments. The ten-year General Development Agreements (GDA's) were signed with all provinces except Prince Edward Island, where a 15-year Comprehensive Development Plan had been signed in 1969. Five-year GDA's were later signed with the Yukon in 1977, and with the Northwest Territories in 1979.

The Canada-Ontario General Development Agreement was signed on February 26, 1974. The objectives stated in this enabling document are:

- a) to improve opportunities for productive employment and access to such opportunities, and to sustain existing employment opportunities in areas and sectors of Ontario requiring special measures in order to realize their full development potential;
- b) to encourage socio-economic development in those areas of the province requiring special initiatives to permit the residents to contribute to and participate in the benefits arising from economic development; and
- c) to reinforce provincial policies and priorities for regional development of the areas and sectors of the province identified in objective (a).

Each GDA includes provision for specific subsidiary agreements or action plans. These sub-agreements outline jointly set objectives and provide the means for the achievement of broader developmental goals. To date, twelve such subsidiary agreements have been signed between Canada and Ontario (Table 1). These twelve sub-agreements represent a funding allocation totalling \$460,975,259. As of March 31, 1982, approximately \$407,358,395 in total

combined funds were committed for expenditure. Of this amount, approximately \$228,410,000 is to be cost-shared equally between Canada and Ontario; \$180,000,000 is to be shared one-third by Canada and two-thirds by the Province, and close to \$2,116,400 is to be funded fully by Canada (Long Lake #77, NORDA).

Expired Subsidiary Agreements

Of the twelve action pacts signed between Canada and Ontario, four have terminated:

- . **Cornwall Area** - The purpose of this subsidiary agreement was to create long-term expansion in employment and income in the area, and to improve the area's relative growth rate. Funding was provided for: the completion of the servicing of a 400-acre industrial park; the construction of an all-purpose facility for conventions, athletic and cultural events; the development of two areas for tourism; and the servicing of a single-industry industrial site.
- . **Northwestern Ontario** - The purpose of this subsidiary agreement was to accelerate the economic growth of the northwestern region through a strengthening of strategic centres, particularly Thunder Bay, and to improve the Region's transportation network. Funding was provided for: sewage system improvements in Thunder Bay and Ignace; a resource road construction program; the extension of an airport facility in Kenora; highway intersection improvements between Kenora and Minaki; and two studies, one on a Thunder Bay industrial complex, the other on wild rice harvesting.
- . **Dryden Infrastructure Development** - This subsidiary agreement was designed to improve community services in the Town of Dryden to provide for population growth generated as a result of expected industrial development. Funding was provided for the construction of: a new water intake; a water treatment plant; and a sanitary trunk sewer.
- . **Interim Northlands** - This subsidiary agreement was originally developed as a provisional measure to alleviate certain problems of northlands inhabitants, pending consideration of a longer-term

agreement. Moneys were made available for several projects including: life-skill courses to prepare residents to participate in available manpower training programs; homemaker courses covering nutrition, hygiene and family budgeting; the development of a recreation area along the English River; and a major study to identify manpower needs.

Federal Reorganization

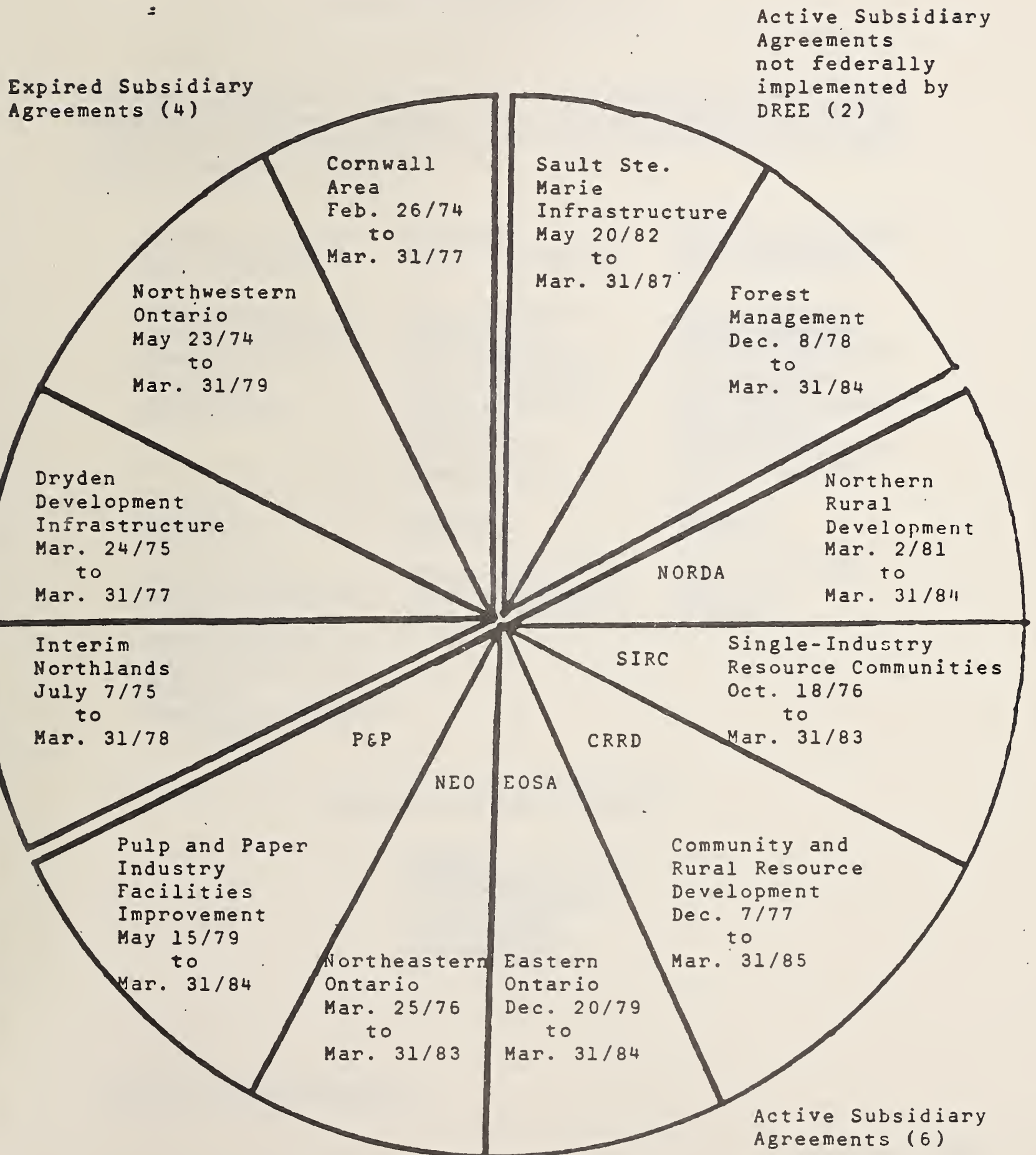
On January 12, 1982, the Prime Minister announced a reorganization of departments to provide a different focus on regional economic development and foreign trade. The announcement stated that existing General Development Agreements would continue until their scheduled date of expiry. The release reported that a new generation of federal-provincial agreements could involve a wider range of federal departments.

Later in 1982, the federal implementation responsibility for two Canada-Ontario Subsidiary Agreements was transferred from DREE to other federal departments as follows:

- . The Sault Ste. Marie Infrastructure Subsidiary Agreement, negotiated by DREE, the Province of Ontario, and the City of Sault Ste. Marie, was signed on May 20, 1982, and the federal implementation responsibility transferred to Public Works Canada on September 3, 1982.
- . The Canadian Forestry Service, Environment Canada, assumed federal responsibility for the Forest Management Subsidiary Agreement, from DREE, on September 3, 1982.

Table 1

Summary of Agreements with Date Signed and
Expiry Date



Dec. 31, 1982

AN OVERVIEW OF THE GENERAL ORIENTATION OF
CANADA-ONTARIO GDA SUBSIDIARY AGREEMENTS

Table 2
Canada-Ontario
General Development Agreement

The broad objectives of the GDA have been addressed by three general categories of subsidiary agreements. While some agreements have more than one strategy to achieve their goals and the objectives of the GDA, they may be generally categorized as follows:

PROJECT SPECIFIC SUB-AGREEMENTS	SECTORAL SUB-AGREEMENTS	PROGRAM ORIENTED SUB-AGREEMENTS
These agreements are oriented towards the provision of basic community infrastructure.	These agreements are directed at improving specific sectors of Ontario's economy through increased productivity or modernization.	These agreements provide incentives to eligible applicants by promoting an environment supportive of innovation, entrepreneurship and economic growth.
<u>Examples</u>	<u>Examples</u>	<u>Examples</u>
Cornwall Area Dryden Development Northwestern Northeastern (A) Sault Ste. Marie (A) SIRC (A) Pembroke Amendment of CRRD (A)	Pulp and Paper (A) Forest Management (A) Portion of CRRD (A)	Interim Northlands EOSA (A) NORDA (A)

INITIATIVE UNDER DISCUSSION

Tourism
A tourism agreement
is being considered
to assist major
tourism projects.

(A) active subsidiary agreements

PROGRAM HIGHLIGHTS

The following section highlights events which have occurred during the period from April 1, 1981 to December 31, 1982.

New Agreements

On May 20, 1982, Canada and Ontario agreed to support an infrastructure improvement initiative in Sault Ste. Marie to alleviate constraints to economic growth due to inadequate water and sewage facilities. The Sault Ste. Marie Infrastructure Subsidiary Agreement provides \$42 million, equally cost-shared by Canada and Ontario, for sewage and water works improvements.

Amendments

Community and Rural Resource Development - Amendment No. 5 (July 5, 1982)

Phase II Upper Ottawa Valley consists of three component projects:

Water Purification Plant	\$10.85 million
Sewage Treatment Plant Expansion	\$ 3.75 million
Industrial Park	<u>\$ 8.50 million</u>
Total	\$ 23.1 million

The maximum federal and provincial contribution is \$8.0 million and \$11.1 million respectively with the balance contributed by the municipality (\$4.0 million).

Northeastern Ontario - Amendment No. 8 (January 13, 1982)

The Valley East Area Program includes the construction of water and sewer services in the Valley East Industrial Park and modifications to the sewage pump station adjacent to the park.

The program is cost-shared as follows:

Federal contribution	\$ 340,000
Provincial contribution	\$ 340,000
Town of Valley East	<u>\$ 340,000</u>
	\$1,020,000

The total cost-shared amount between the federal and provincial governments is \$680,000.

Northeastern Ontario - Amendment No. 9 (March 23, 1982)

The Northeastern Ontario Subsidiary Agreement was extended one year to March 31, 1983. Funding totals were also adjusted for the Sudbury and North Bay Area programs.

Northern Rural Development - Amendment No. 2 (December 7, 1982)

Under this Agreement, \$40,000 was transferred from the Program Analysis & Review program to the Public Information program.

Sunsetting and Expired Agreements

Both the Northeastern Ontario and the Single Industry Resource Communities Subsidiary Agreements expire on March 31, 1983.

Other agreements entering their final year of implementation in 1983-84 are Forest Management, NORDA, Pulp and Paper, and EOSA.

No Canada-Ontario GDA sub-agreements have expired during the April 1, 1981 - December 31, 1982 period.

FINANCIAL SUMMARY

The following financial summary relates to Canada-Ontario GDA spending activity for the period ending March 31, 1982. The totals shown under the "Expenditure" columns were provided by DREE and represent provincially audited costs. Cash flow forecasts for all sub-agreements originate from the lead provincial ministries.

COST-SHARED FUNDING AND PAYMENT PROCEDURES

Subsidiary agreements currently implemented under the Canada-Ontario GDA are equally cost-shared by the federal and provincial governments, with the following exceptions:

Single-Industry Resource Communities - The Long Lake Indian Reserve #77 component is funded \$616,450 by Canada (DIAND and DREE) and \$69,550 by Ontario.

Pulp and Paper - Cost-shared on the basis of one-third by Canada and two-thirds by Ontario.

Northern Rural Development - \$1.5 million is funded fully by Canada (DREE and DIAND) for projects benefitting Status Indians. The balance of identified programming is cost-shared.

Procedural difficulties in the accounting of interim payments have occurred in the past. The payment procedures were therefore revised, simplified and applied to all current agreements, with the exception of Pulp and Paper.

- . All initial costs for programs/projects are paid by the Province.
- . Canada reimburses Ontario with payments processed on the basis of progress claims, setting out the eligible costs incurred for work completed and paid, as submitted by the Province.
- . In order to assist with the interim financing of programs and projects, Canada may, if the Province so requests, make interim payments to the Province of 100% of Canada's share of claims submitted, based on estimates of costs incurred for work completed, and confirmed by senior officers of the Province.

- . The Province must account for each interim payment by submitting to Canada, within 120 days after such payment by Canada, a statement of actual costs incurred and paid. Any discrepancy between interim federal payments and the actual costs are adjusted between Canada and the Province.
- . No interim payments are made in a new fiscal year until all interim payments made in the preceding fiscal year have been accounted for and adjusted if necessary.
- . The Province may advance money on any project, whether or not costs have been incurred or work completed, provided that Canada is not obliged to make any payment until such time as such costs have actually been incurred and work has been completed.

SUMMARY OF ALLOCATIONS AND AUTHORIZED COSTS
CANADA-ONTARIO GDA SUBSIDIARY AGREEMENTS
March 31, 1982

Table 3

Subsidiary Agreement	Allocation	Authorized Cost		
		Federal	Provincial	Total
<u>Expired</u>				
Cornwall Area	\$ 16,245,480	\$ 8,122,740	\$ 8,122,740	\$16,245,480
Northwestern Ontario	50,886,018	25,443,009	25,443,009	50,886,018
Dryden Development Infrastructure	2,859,110	1,429,555	1,429,555	2,859,110
Interim Northlands	<u>425,265</u>	<u>212,632</u>	<u>212,633</u>	<u>425,265</u>
Sub-total	\$ 70,415,873	\$ 35,207,936	\$35,207,937	\$70,415,873
<u>Active</u>				
NEO	\$ 30,602,000	\$ 14,519,897	\$14,519,897	\$29,039,794
SIRC	19,810,000	9,049,192	8,350,808	17,400,000
CRRD	9,060,886	4,519,524	4,519,524	9,039,048
FMSA	82,236,500	33,929,696	33,929,696	67,859,392
P & P	180,000,000	59,432,000	118,818,000	178,250,000
EOSA	50,350,000	16,399,056	16,399,056	32,798,112
NORDA	18,500,000	1,278,088	1,278,088	2,556,176
SSM	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub-total	\$390,559,386	\$139,127,453	\$197,815,069	\$336,942,522
TOTAL	\$460,975,259	\$174,335,389	\$233,023,006	\$407,358,395

Allocation - Represents total commitment, including the full 15% contingency allowance where applicable, or the actual cost where the agreement has expired and the final costs are known.

Authorized Cost - A spending commitment authorized under a subsidiary agreement, and approved by its management committee.

Table 4

SUMMARY OF EXPENDITURES AND CASH FLOW
CANADA-ONTARIO GDA SUBSIDIARY AGREEMENTS

Expenditures		Cash Flow Forecast Dec. 31, 1982					
Subsidiary Agreement	1981-82	Total to March 31, 1982	Unexpended Bal. of Auth. Cost and (%) unexpended	1982-83	1983-84	1984-87	Total
NEO	4,707,462	23,390,490	5,649,304	2,735,000	2,800,000	—	5,535,000
SIRC	358,150	17,265,390	203,102	601,000	—	--	601,000
CRRD	1,639,151	7,492,372	1,568,514	1,580,000	294,000	—1	1,874,000
FMSA	14,036,344	24,443,152	43,416,240	19,568,900	16,988,888	7,310,340	43,868,128
P & P	14,032,000	160,536,000	17,714,000	9,078,000	4,636,000	4,000,000	17,714,000
EOSA	9,746,715	16,062,065	34,287,935	12,518,000	16,178,000	5,592,000	34,288,000
NORDA ²	261,008	261,008	2,295,168	3,945,000	5,840,000	8,433,992	18,218,992
SSM	0	0	0	1,133,332	15,493,332	25,373,336	42,000,000
TOTALS	\$44,780,830	\$249,450,477	\$105,134,263	\$51,159,232	\$62,230,220	\$50,709,668	\$164,099,120
<hr/>							
1	CRRD expires in 1985						
2	NORDA cash flow includes DIAND share of federally funded (100%) projects						
<hr/>							
Total Expenditure - Represents audited costs, to March 31, 1982							
Unexpended Balance - This is the difference between authorized cost and total agreement expenditure to March 31, 1982							

EVALUATION

Section 12 of the Canada-Ontario General Development Agreement requires that each subsidiary agreement include appropriate provision for evaluation, and that both Canada and Ontario provide for an exchange of information necessary to evaluate the operation and performance of such agreements.

EVALUATION PROCESS

Most subsidiary agreements stipulate that a program evaluation be undertaken within twelve months of the expiry of the agreement. In the past, there was no firm evaluation process to follow and some subsidiary agreements have not had financial provisions for evaluation.

Recently, a joint evaluation process was established and subsidiary agreements now have specific provisions for evaluation work. The evaluation process involves four distinct phases:

1. The Evaluation Framework profiles the agreement in terms of its purpose, objectives and background. It also formulates an Evaluation Design which includes a description of possible evaluation issues, data requirements and alternate methodologies.
2. The Evaluation Assessment prioritizes the evaluation issues. It suggests options related to the evaluation issues and establishes Terms of Reference to be used in the Evaluation Study.
3. The Evaluation Study is a detailed analysis of the issues selected in the Assessment and specified in the Terms of Reference. It reports on the findings of the evaluation and recommends follow-up actions.
4. The Follow-up Phase includes the implementation of the approved recommendations and the monitoring of the impact of the actions taken.

EVALUATION DIRECTION

The evaluation function is now established and is gradually becoming an integral part of the overall GDA and subsidiary agreement management process. In spite of limited evaluation resources, the following evaluation activities are complete or are in progress:

- Background evaluation material is being gathered according to a detailed schedule, on all of the subsidiary agreements under the Canada-Ontario General Development Agreement. This information is useful when developing the various evaluation frameworks. When appropriate, the Management Committees are notified.
- The evaluation process and needs for the Northern Rural Development Agreement were discussed with the Agreement Co-chairmen and Co-ordinators.
- The Eastern Ontario Subsidiary Agreement: The Small Business Component evaluation was completed by Woods Gordon Management Consultants, and the conclusions and recommendations were presented to the Management Committee. Follow-up on these recommendations will soon take place.
- The Pulp and Paper Subsidiary Agreement evaluation process is proceeding. Both a national and regional evaluation plan was developed. The regional evaluation framework has been developed and has been presented to the Management Committee. Follow-up on the Management Committee's comments will now take place.
- A joint federal/provincial evaluation model is being developed. It will describe the evaluation mandate and function and Regional Economic Expansion (DREE) - Treasury and Economics (MTE) evaluation plan. Modifications to this evaluation model will take place as the federal departmental reorganization becomes fully operational.

CANADA - ONTARIO
GENERAL DEVELOPMENT AGREEMENT

IMPLEMENTATION SUMMARY
OF ACTIVE AGREEMENTS

NORTHEASTERN ONTARIO SUBSIDIARY AGREEMENT

SIGNED: March 25, 1976

EFFECTIVE PERIOD: March 25, 1976 to March 31, 1983

**NORTHEASTERN ONTARIO SUBSIDIARY
AGREEMENT AMENDMENTS**

Table 5

<u>Amendment Number</u>	<u>Date Signed</u>	<u>Description</u>
1	July 28, 1976	. Timmins Area Program added . Agreement termination date extended to December 31, 1979
2	March 21, 1978	. Parry Sound Area Program funding totals adjusted
3	October 5, 1978	. North Bay Area Program added . Agreement termination date extended to March 31, 1982
4	October 10, 1978	. Sudbury Area Program funding totals adjusted
5	December 11, 1979	. Timmins Area Program funding totals adjusted
6	February 15, 1980	. Agreement Payment Procedures revised
7	November 17, 1980	. North Bay Area Program: pipe size descriptions deleted; additional road service added
8	January 13, 1982	. Valley East Area Program added
9	March 23, 1982	. Agreement termination date extended to March 31, 1983. North Bay and Sudbury Area Programs funding totals adjusted.

TOTAL ELIGIBLE COST: \$30,602,000 (including full 15% contingency allowance)

EXPENDITURES: \$23,390,490 (to March 31, 1982)

COST-SHARE RATIO: 50% Federal - 50% Provincial. The Valley East Area Program is cost-shared 33-1/3% Federal, 33-1/3% Provincial, 33-1/3% Town of Valley East. There is no contingency allowance in the Valley East Area Program.

BACKGROUND

Three-quarters of the residents of northeastern Ontario live in major urban centres. Generally, the range, quality and accessibility of community and essential services that are available to these residents are not as well developed as in other areas of the Province. Necessary physical infrastructure has proven costly for such communities to construct and to maintain.

The objective of the Northeastern Ontario development strategy is to strengthen the present urban system by encouraging new and expanded economic activity in selected centres in order to maximize the benefits of anticipated growth. As a means to this end, the governments of Canada and Ontario are funding the improvement and provision of infrastructure services in five key centres, including Parry Sound, Timmins, Sudbury, North Bay, and Valley East.

PROGRAM COMPONENTS:

- . Parry Sound Area - includes: the construction of water and sewage facilities for the Carling Township Industrial Park; and an assessment of industrial development activity in Parry Sound

\$2.2 million

- . Timmins Area - includes: the construction of water and sewage facilities in the City of Timmins; an industrial park location study; and a bypass road need study.

\$12.3 million

- . Sudbury Area - includes: the construction of water, sewage and access road facilities for the Walden Industrial Park.

\$3.5 million

- . North Bay Area - includes: the construction of road, sewer, water and storm drainage services for a municipal industrial park.

\$11.9 million

- . Valley East Area - includes: the construction of water and sewer services in the Valley East Industrial Park and sewage pump station modifications adjacent to the park.

\$.682 million

PROGRAM IMPLEMENTATION

Progress

The programs for Parry Sound, Timmins, Sudbury, and Valley East Areas are complete. In 1982, sewer, water, and road construction projects within the North Bay Industrial Park were completed as were water and sewer access projects outside of the park. One park access road is currently under construction and a second access road is not yet approved.

Evaluation

To date, two (2) annual reports have been produced by the Management Committee.

FINANCIAL SUMMARY

Tables 6 and 7 depict the current financial status and future spending intentions for the Agreement.

NORTHEASTERN ONTARIO SUBSIDIARY AGREEMENT,
FINANCIAL STATEMENT AS OF MARCH 31, 1982

Table 6

Program Component	Authorized Cost	Expenditure		Balance	
		1981-82	Total to March 31/82	Unexpended Balance	Unexpended Balance as % of Authorized Cost (%)
Parry Sound	\$ 2,239,400	--	\$ 2,232,644	\$ 6,756	.3
Timmins	12,298,100	--	12,088,010	210,090	1.7
Sudbury	3,501,750	\$ 136,508	3,389,352	112,398	3.2
North Bay	10,318,544	3,933,766	5,043,296	5,275,248	51.0
Valley East	682,000	637,188	637,188	44,812	6.6
TOTALS	\$29,039,794	\$4,707,462	\$23,390,490	\$ 5,649,304	19.4

1 Figures based on audited costs.

NORTHEASTERN ONTARIO SUBSIDIARY
AGREEMENT, CASH FLOW FORECAST

Table 7

Program Component	Cash Flow Forecast	
	1982-83	1983-84
Parry Sound	--	--
Timmins	--	--
Sudbury	\$ 90,000	--
North Bay	2,600,000	2,800,000
Valley East	45,000	--
TOTAL	\$2,735,000	\$2,800,000

**SINGLE INDUSTRY RESOURCE COMMUNITIES SUBSIDIARY
AGREEMENT**

SIGNED: October 18, 1976

EFFECTIVE PERIOD: October 18, 1976 to March 31, 1983

**SINGLE INDUSTRY RESOURCE COMMUNITIES
SUBSIDIARY AGREEMENT AMENDMENTS**

Table 8

<u>Amendment Number</u>	<u>Date Signed</u>	<u>Description</u>
1	July 19/77	. permitted the retroactive payment of costs incurred for the Nakina Water Project prior to signing of the Agreement.
2	July 19/77	. White River Area Program added to the Agreement.
3	Oct. 25/78	. Hornepayne Area and Long Lake Indian Reserve #77 programs added to the Agreement.
4	Jan. 9/79	. surplus funding gained from under-cost projects reallocated to projects experiencing minor overruns.
5	Feb. 15/80	. Agreement payment procedures revised.
6	March 17/81	. Agreement termination date extended to March 31, 1983. . Schedule 'A' amended to reflect funding of project cost overruns from other project savings.
7	July 7/81	. reallocation of estimated costs associated with the Long Lake Indian Reserve #77 Community Infrastructure Program. . allowed maximum contribution by DIAND increased from \$305,000 to \$315,000 inclusive of the 15% contingency allowance.

TOTAL ELIGIBLE COST:	\$19,810,000 (including full 15% contingency allowance)
EXPENDITURES:	\$17,265,390 (to March 31, 1982)
COST-SHARE RATIO:	50% Federal - 50% Provincial (Long Lake Indian Reserve #77 is more than 50% federally funded. The federal share is funded 50% DREE 50% DIAND)

BACKGROUND

Resource sectors are important components of the Canadian economy and have significant growth potential. However, the present shortage of skilled workers increases production costs and constrains future growth. The skilled manpower shortage is especially acute in remote areas, where labour turnover is high. Turnover costs are especially high in communities dependent upon a single industry economy.

The purpose of the Agreement is to diversify and stabilize the economies of single-industry resource-based communities in northern Ontario. Funding is provided for infrastructure projects in support of new residential construction and community services which will help attract and retain a stable labor force.

PROGRAM COMPONENTS

Assistance is made available for the construction of basic infrastructure projects in Nakina, Longlac, Geraldton, White River, Hornepayne and Long Lake Indian Reserve #77. In addition, construction of an airport near Geraldton, with associated access improvements, are funded.

- Community Infrastructure - The program is designed to assist the communities of Nakina, Longlac and Geraldton in providing infrastructure to meet the accelerated need for new housing in the area, caused by major industrial expansion plans of Kimberly-Clark of Canada Limited.

\$9.3 million

- Transportation Development (Geraldton) - The program is providing transportation facilities which will allow commercial air service to link this sub-region with the regional centres of Thunder Bay and Sault Ste. Marie. It will, in addition, provide an essential base for forest protection and resource exploration and development activities. The program also includes upgrading of an access road north from Geraldton.

\$4.0 million

- White River Community Infrastructure - The program funded the construction of water services, storm drains, and sewage system projects allowing for the accommodation of new population growth in White River.

\$2.1 million

- . Hornepayne Area - The program assisted in financing a site preparation and a town centre public mall area in Hornepayne to contribute to the overall social development of the community. The project is viewed as a test initiative, using the town centre concept as a means of facilitating the development of economic opportunities in other single-industry communities.

\$1.3 million

- . Long Lake #77 - The program is designed to provide the basis for servicing an estimated total of 40 dwellings in the Long Lake Indian Reserve #77. The water supply and sewage system projects are integrated with the water and sewage services constructed in the adjacent Town of Longlac under the Community Infrastructure Program of this Agreement.

\$0.7 million (DIAND)

PROGRAM IMPLEMENTATION:

Progress

With the completion of the paving contract for the Geraldton Airport Access Road and the Airport lease lots during the summer of 1982, the implementation of projects under this Agreement has largely been achieved.

Once the engineering inspection and audit reports are completed, clean-up amendments and/or claims will be processed to reflect final audited project costs.

The official opening of the Hornepayne town centre took place in October 1982.

Issues

Although minor cost overruns have been encountered, funding solutions have been found within the Agreement by cost-savings gained from other projects and by applying the contingency allowance.

Evaluation

An evaluation assessment is being undertaken for this Agreement. The assessment will define the required information and the procedures required for a formal evaluation.

To date, six annual reports have been completed for this Agreement. Management Committee is currently preparing a seventh annual report describing Agreement activities for the 1981/82 fiscal year.

FINANCIAL SUMMARY

Tables 9 and 10 depict the current financial status and future spending intentions for the Agreement.

SINGLE INDUSTRY RESOURCE COMMUNITIES SUBSIDIARY
AGREEMENT: FINANCIAL STATEMENT AS OF MARCH 31, 1982

Table 9

Program Component	Authorized Cost	Expenditure ²		Balance	
		1981-82	Total to March 31/82	Unexpended Balance	Unexpended Balance as % of Authorized Cost (%)
Community Infrastructure ⁽¹⁾	\$ 9,265,000	\$225,587	\$ 9,189,840	\$ 75,160	0.8
Transportation Development ⁽¹⁾	4,006,000	35,006	3,897,766	108,234	2.7
White River Area	2,129,000	4,211	2,109,501	19,499	0.9
Hornepayne Area	1,299,500	0	1,299,500	0	--
Long Lake #77 ⁽¹⁾	768,992 ⁽³⁾	93,346	768,783	209	0.03
TOTALS	\$17,468,492	\$358,150	\$17,265,390	\$ 203,102	1.2

(1) 15% Contingency permitted for cost overrun.

(2) Based on audited costs.

(3) This includes \$616,450 federal funding and \$69,550 in provincial funding.

SINGLE INDUSTRY RESOURCE COMMUNITIES
SUBSIDIARY AGREEMENT, CASH FLOW FORECAST

Table 10

<u>Program Component</u>	<u>Cash Flow Forecast</u>
	<u>1982-83</u>
Community Infrastructure	\$ 6,000
Transportation Development	595,000
White River Area	--
Hornepayne Area	--
Long Lake #77	--
TOTAL	\$ 601,000

**COMMUNITY AND RURAL RESOURCE DEVELOPMENT
SUBSIDIARY AGREEMENT**

SIGNED: December 7, 1977

EFFECTIVE PERIOD: December 7, 1977 to March 31, 1985

**COMMUNITY AND RURAL RESOURCE
DEVELOPMENT SUBSIDIARY AGREEMENT
AMENDMENTS**

Table 11

<u>Amendment Number</u>	<u>Date Signed</u>	<u>Description</u>
1	June 19/78	. New Forests in Eastern Ontario Program added.
2	Oct. 25/78	. Kirkland Lake Geoscientific Surveys added.
3	Dec. 8/78	. Content adjustment made to New Forests in Eastern Ontario Program.
4	Feb. 15/80	. Payment procedures revised.
5	July 5/82	. Phase II Upper Ottawa Valley - Pembroke Area Infrastructure added.

TOTAL ELIGIBLE COST: \$28,556,450 (including full 15% contingency allowance & Pembroke Area Infrastructure)

EXPENDITURES: \$7,492,372 (to March 31, 1982)

COST-SHARE RATIO: 50% Federal - 50% Provincial except for Amendment #5 - \$8 million federal, \$11.1 million provincial (no contingency allowance)

BACKGROUND:

Socio-economic disparities have existed in eastern and northeastern Ontario as a result of declining resource exploitation and the disproportionate growth of the secondary manufacturing and tertiary sectors relative to southern areas. A range of initiatives was therefore deemed essential to assess the potential for economic growth in selected urban and rural areas. The Agreement seeks to broaden the economic base of a number of communities by establishing improved resource base data where investment opportunities are expected to be created.

PROGRAM COMPONENTS

- . Upper Ottawa Valley - Phase 1: The Upper Ottawa Valley has experienced a serious decline in resource exploitation with the local economy becoming dependent upon the secondary and tertiary sectors. In seeking to broaden the Region's economic base, to stem the outflow of local residents and to raise local living standards, assistance is being made available for the following:

1. Forest Resource Assessment (Renfrew County);
2. Mineral Resource Assessment (Renfrew County);
3. Industrial Land Development Studies (Pembroke);
4. Regional Economic Development Assistance. (REDA)

\$1.3 million

- . New Forests in Eastern Ontario: In eastern Ontario, forestry opportunities have been underutilized despite close proximity to the mill market. However, initial developments in hybrid poplars have indicated encouraging economic benefits. In addition, it is viewed that land-use for both agriculture and forest development could improve the economic return if the appropriate data base were made available. Funding assistance is, therefore, made for the following:

1. Hybrid Poplar Research, Nursery and Technical Development.
2. Low Quality Hardwood Forest Renewal.
3. Forest and Agriculture Resource Inventory.

Information from these projects will improve the existing data base.

\$5.5 million

- . Kirkland Lake Geoscientific Surveys: In the Kirkland Lake area, the local economy has experienced high unemployment as a result of numerous mine closures. The intention of the program is to generate the geological data base required to attract private sector mineral exploration and development for remaining gold. In addition, the potential for exploitation of base metals, uranium, and aggregate resources is being explored. Assistance is available for the mapping, surveying and sampling, and technical analysis of collected data and its eventual publication.

\$2.6 million

- . Phase II Upper Ottawa Valley - Pembroke Area Infrastructure: Pembroke has suffered a population decline as well as below average per capita income in recent years. A key requirement for future economic growth is the development of serviced industrial land and improvement upon the City's water and sewage services. Under this program, capital works projects will generate new employment opportunities, increase incomes and improve the City's overall economic situation. The projects are:

1. Water Purification Plant;
2. Sewage Treatment Plant Expansion;
3. External Water Services (reservoir, pumping station and water mains);
4. External Sewage Services (expansion of a sewage pumping station and construction of new sewers);
5. Internal Services for a 120 acre industrial park.

PROGRAM IMPLEMENTATION

Progress

- . Phase I Upper Ottawa Valley:
 - (i) Forest and Mineral Resource Assessments have been completed. Summary report publications are in progress.
 - (ii) The Industrial Land Development Studies (Water Plant Design and Sewage Plant Nutrient Removal Testing) have been completed.
 - (iii) The Renfrew County - City of Pembroke Development Board hired a general manager. Phase 1 & 2 of a Manufacturing Opportunities Study were completed in 1982.
- . New Forests in Eastern Ontario:
 - (i) The Hybrid Poplar projects are progressing well and are expected to utilize all available funds by March 31, 1983.

Management Committee has recommended a technical amendment which will permit the transfer of \$240,000 from the Hardwood Forest Renewal project to Hybrid Poplar projects.
 - (ii) The Forest and Agriculture Inventory report was published and no further project costs are anticipated.
- . Kirkland Lake Geoscientific Surveys:

All components of the program are progressing according to schedule, although publication of the findings will not be completed until 1983/84 due to the interrelated nature of the various studies being conducted. Application to apply the full contingency allowance of \$343,800 has been recommended by the Management Committee.
- . Phase II Upper Ottawa Valley:

Construction of the water filtration plant commenced in March 1982 and is ahead of schedule.

Issues

- . Amendment No. 5, signed July 5, 1982 provides \$23.1 million from federal, provincial and city sources for the Phase II Upper Ottawa Valley - Pembroke Area Infrastructure Program. The most recent cost estimates total \$24.4 million leaving a \$1.3 million shortfall. The program has no contingency allowance. The City has been asked to review costs and consider appropriate cost-cutting measures.

Evaluation

Four annual reports have been produced to date.

FINANCIAL SUMMARY

Tables 12 and 13 outline the current financial status and future spending intentions of the Agreement.

PROGRAM EFFECTIVENESS

1. Upper Ottawa Valley - Phase I

The Forest and Mineral Resource Assessments have resulted in numerous papers being published. Six companies are currently investigating talc and mica occurrences.

The Industrial Land Development studies for Pembroke were completed in 1980, providing background data for Amendment No. 5, Pembroke Area Infrastructure.

2. New Forests in Eastern Ontario

Hybrid Poplar Research and Nursery and Technical Development have been quite positive in maximizing biomass production thereby offering the potential for a higher economic yield. An operational program suitable for private and Crown land is expected to be available by 1983-84.

Hardwood Forest Renewal has created considerable local contract employment.

3. Kirkland Lake Geoscientific Surveys

There was an increase in claim staking following the release of a number of survey maps. Mining company exploration expenditures in the area have already exceeded the total program costs while one and a half years still remain in the program. It would appear, at this time, that this program has exceeded its expectations.

COMMUNITY AND RURAL RESOURCE DEVELOPMENT SUBSIDIARY AGREEMENT: FINANCIAL STATEMENT AS OF MARCH 31, 1982 Table 12

Program Component	Authorized Cost	Expenditure ⁽¹⁾		Balance	
		1981-82	Total to March 31/82	Unexpended Balance	Unexpended Balance as % of Authorized Cost (%)
Phase I					
Upper Ottawa Valley	\$ 1,271,886	\$ 83,824	\$ 1,151,538	\$ 120,348	9.5
New Forests in Eastern Ontario	5,497,000	963,133	4,602,216	894,784	16.3
Kirkland Lake Geoscientific Surveys	2,270,162	592,194	1,738,618	553,382	24.1
TOTALS	9,039,048	\$1,839,151	\$ 7,492,372	\$ 1,568,514	17.3

(1) Based on audited costs.

COMMUNITY AND RURAL RESOURCE DEVELOPMENT SUBSIDIARY AGREEMENT, CASH FLOW FORECAST Table 13

Program Component	Cash Flow Forecast	
	1982-83	1983-84
Phase I -		
Upper Ottawa Valley	\$ 65,000	\$ 50,000
New Forests in Eastern Ontario	895,000	--
Kirkland Lake Geoscientific Surveys	620,000	294,000
Pembroke Area Infrastructure	4,550,000	9,000,000
TOTALS	\$6,130,000	\$9,344,000

FOREST MANAGEMENT SUBSIDIARY AGREEMENT

The Federal implementation responsibility was transferred from the Department of Regional Economic Expansion to Environment Canada, Canadian Forestry Service, on September 3, 1982.

SIGNED: December 8, 1978

EFFECTIVE PERIOD: December 8, 1978 to March 31, 1984

FOREST MANAGEMENT SUBSIDIARY AGREEMENT AMENDMENTS

Table 14

<u>Amendment Number</u>	<u>Date Signed</u>	<u>Description</u>
1	Feb. 15/80	. payment procedures revised.
2	Feb. 23/81	. Agreement termination date extended to March 31, 1984. . two-year 'sunsetting period' allowed for project completion: deadline - March 31, 1986. . internal transfer of funds: - Forest Access Program reduced by \$5.5 million - Nursery Expansion Program increased by \$5.0 million - Assessment Program increased by \$0.5 million . Silviculture Camp Program description modified to include the purchase of mobile storage units at campsites.

TOTAL ELIGIBLE COST: \$82,236,500 (including full 15% contingency allowance)

EXPENDITURES: \$24,443,152 (to March 31, 1982)

COST-SHARE RATIO: 50% Federal - 50% Provincial

BACKGROUND

From the viewpoint of current forest management practices and requirements, much of the forest base is inadequately accessed. With the Province's allowable cut having been allocated, it is important that mature and overmature timber stands be harvested before they begin to deteriorate or are lost to fire, wind, insects and disease. If these stands are not accessed and harvested, younger and less productive areas are exploited to satisfy industry requirements. In both cases, additional acreages would require regeneration treatment.

This Subsidiary Agreement is providing measures which will enhance forest management activity, and accelerate reforestation and private sector investment in an effort not only to create new employment opportunities within the industry, but also to sustain existing jobs which are currently in jeopardy because of the present inability to ensure long-term wood supplies.

PROGRAM COMPONENTS:

The Agreement focuses on four major program areas: provision of forest access, expansion of nursery and silvicultural capital facilities, the extension and application of forest management surveys, and applied research.

- . Forest Access - This component is designed to access areas of current mature and over-mature boreal stands, thus optimizing resource utilization and relieving pressure on presently accessible younger stands. It provides the necessary servicing required to implement large-scale silvicultural harvesting systems and aids efforts directed at forest protection and timber salvage. It also provides access to the resource base for other economic activities and outdoor recreation.

Funding assistance applies to both Crown Management and Company Management Units and involves a program of bridge construction (up to full costs, equally shared by Canada and Ontario). It also includes a program of road construction where, on Crown Management Units, Canada and Ontario will cost share on a 50:50 basis and, on Company Management Units, the federal and provincial governments will equally share up to 50% of the road construction costs with the company having tenure to the Management Unit.

\$54.5 million

- . Silviculture Camps - The program responds to the need to provide improved amenities in remote forest areas for the labour force required in silviculture operations. Funding is provided for the purchase of trailer units, including their initial siting and servicing, and mobile storage units in 15 camps throughout northern Ontario.

\$1.9 million

- . Nursery Expansion - The program provides for the upgrading of tree nursery production facilities in northern Ontario through expansion and/or replacement of facilities, equipment and seed beds, in order to supply the quantity and quality of stock required to meet expanded regeneration targets.

\$10.0 million

- Soil Survey - The program provides for two pilot soil surveys as operational trials in two widely separated areas of northern Ontario. The objective is to obtain the necessary land base data for planning future forest management operations.

\$1.0 million

- Assessment - The program includes:
 1. Applied Research and Development, intended to establish operational capability and to identify and correct problems involving forest management techniques and equipment.
 2. Hardwood Utilization, studies to facilitate the investigation of problems and prospects associated with underutilized hardwood resources. The sub-program includes a pre-feasibility study, undertaken to determine the scope and parameters of the main study.
 3. Evaluation, which provides for the review of projects funded under the Agreement and the preparation of related public information programs and announcements issued jointly by Canada and Ontario.

\$4.1 million

PROGRAM IMPLEMENTATION

Progress

To December 31, 1982, a total of 80 projects have been approved by the Management Committee.

<u>Program</u>	<u>Approved</u>	<u>Status</u>
Forest Access	28	23 in progress; 3 completed; 2 terminating due to companies signing Forest Management Agreements with MNR.
Silviculture Camps	15	all completed.
Nursery Expansion	7	4 in progress; 3 completed.
Soil Survey	3	completed; reports in preparation.
Assessment	<u>27</u>	22 in progress; 5 completed.
TOTAL PROJECTS	80	49 in progress; 29 completed; 2 terminating

Of the 28 projects approved under the Forest Access Program, 11 involve special cost-sharing arrangements with the private sector.

Issues

- During Agreement negotiation it was anticipated that approximately 1,000 miles of primary and secondary forest access roads would be constructed during implementation of the Agreement. It is now evident that the actual mileage will be considerably less due to the nature of the road projects developed by both the Crown and the private sector, and the rate of inflation in road construction since Agreement signing.

- . It was also anticipated that approximately 80% of the access road projects developed under the Forest Access program would involve private sector participation. In actual fact, nearly 70% of the access projects approved to date have been sponsored by the Province, i.e., are designated Crown roads, and as such are funded 100% by the two levels of government (DREE 50%, Ontario 50%).

Evaluation

To date, three (3) annual reports have been completed for this Agreement. Management Committee is currently preparing the 1981/82 annual report.

PROGRAM EFFECTIVENESS:

As the majority of programs/projects are currently in progress, it is difficult to measure actual results at this point in Agreement implementation. However, the Management Committee is cognizant of the need for evaluation and is instituting measures to implement an appropriate program analysis proposal in 1983.

Silviculture Camps

Silviculture camps have been fully operational during the 1982 operating year thus offering support to MNR forest management operations.

Forest Access Roads

Segments of road systems being developed are now being utilized in support of harvesting operations and enhanced silvicultural activities.

Nursery Expansion

Nursery irrigation systems completed in Thunder Bay and Swastika are now operational. The Dryden nursery greenhouse complex was fully operational for 1982 productions with a container stock output of 4 million seedlings. The Swastika shipping complex is in partial use and is gearing for full production in the Spring of 1983.

Soil Surveys

Information and methodology developed under this program is now in use by the Ministry of Natural Resources to assist silvicultural planning.

Assessment

The field work phase of most projects is complete and data analysis and report writing are in progress.

The Vegetative Propagation Project has been developed to the operational stage and is now being implemented to produce stock for MNR's regeneration program.

FOREST MANAGEMENT SUBSIDIARY AGREEMENT
FINANCIAL STATEMENT AS OF MARCH 31, 1982

Table 15

Program Component	Authorized Cost	Expenditure		Balance	
		1981-82	Total to March 31/82	Unexpended Balance	Unexpended Balance as % of Authorized Cost (%)
Forest Access	\$51,119,546	\$ 9,494,836	\$14,693,370	\$36,426,176	71.25
Silviculture Camps	1,867,536	395,866	1,830,806	36,730	1.96
Nursery Expansion	10,000,000	2,570,218	4,843,686	5,156,314	51.6
Soil Survey	1,000,000	493,904	801,464	198,536	19.9
Assessment	3,872,310	1,081,520	2,273,826	1,598,484	41.27
TOTALS	\$67,859,392	\$14,036,344	\$24,443,152	\$43,416,240	63.97

FOREST MANAGEMENT SUBSIDIARY AGREEMENT
CASH FLOW FORECAST

Table 16

Program Component	Cash Flow Forecast		
	1982-83	1983-84	1984-86
Forest Access	\$14,659,000	\$12,700,000	\$7,310,340
Silviculture Camps	19,900	--	--
Nursery Expansion	3,467,600	3,318,500	--
Soil Surveys	272,400	47,400	--
Assessment	1,150,000	922,988	--
TOTALS	\$19,568,900	\$16,988,888	\$7,310,340

**PULP AND PAPER INDUSTRY FACILITIES IMPROVEMENT
SUBSIDIARY AGREEMENT**

SIGNED: May 15, 1979

EFFECTIVE PERIOD: May 15, 1979 to March 31, 1984

**PULP AND PAPER INDUSTRY FACILITIES IMPROVEMENT
SUBSIDIARY AGREEMENT AMENDMENTS**

Table 17

<u>Amendment Number</u>	<u>Date Signed</u>	<u>Description</u>
1	December 13, 1979	. Payment procedures revised.
2	February 5, 1981	. Total allocation increased from \$150 million to \$180 million. . Provincial government contribution increased from \$100 million to \$120 million. . Federal government contribution increased from \$50 million to \$60 million.

TOTAL ELIGIBLE COST: \$180,000,000

EXPENDITURES: \$160,536,000 (to March 31, 1982)

COST-SHARE RATIO: 1/3 Federal - 2/3 Provincial

BACKGROUND

Pulp and Paper is Ontario's fifth largest industrial sector. In the past, the industry has been highly cyclical and has generated relatively low rates of return. As a consequence, investment in new plant and equipment to meet statutory environmental standards or modernization and productivity improvements has been minimal, placing the long-term health of the industry in jeopardy. In 1978 it was estimated that \$1.2 billion would be required to successfully restructure the industry.

The governments of Canada and Ontario agreed that it was timely to take advantage of the devalued Canadian dollar and strong export markets, and have provided an incentive to motivate the industry to make the investments necessary for its long-term viability.

PROGRAM COMPONENTS

Joint offers of assistance were made to nine pulp and paper companies. Individual agreements were signed, whereby the companies undertook to carry out investment initiatives involving capital costs directly associated with the manufacturing and processing of primary pulp and paper products. Incentives provided for capital expenditure relating to pollution abatement, machine modernization, rationalization of production, increases in value-added of production, and efficient energy utilization.

Incentive assistance was not made available for direct capacity increases in pulp or newsprint production, woodland operations, routine replacement and maintenance, transportation, or activities related to the conversion to intermediate products or timber products.

PROGRAM IMPLEMENTATION

Progress

Guidelines covering eligibility, assessment, funding and implementation procedures were approved by Management Committee in June, 1979.

It was evident soon after announcement of the Agreement, that the response to the improvement program by the private sector was going to be greater than originally anticipated. By September, 1980, six companies had accepted government support totalling \$140.3 million in return for capital investment programs approximating \$1.1 billion over a five-year period.

Because of the greater than expected success of the initiative, Canada and Ontario concluded that a 'topping-up' of the incentive fund was in order: the amendment of February 5, 1981, thereby, increased available funding from \$150 million to \$180 million.

To date, nine of the eleven major pulp and paper firms in Ontario have accepted assistance under the terms of the Agreement for an amount of \$178.25 million. The Management Committee struck individual and comprehensive agreements with the nine paper companies. This resulted in a healthy and total company commitment to a modernization, pollution abatement and energy efficient program. Projects are progressing well and are close to 80 percent complete.

Some companies are proceeding ahead of schedule while others are encountering difficulties due to a depressed market for pulp and paper products. The latter companies have decided to postpone implementation of some of the proposed modernization projects. Special arrangements will be made with these companies regarding the provincial and federal contributions received since 1978.

Issues

Expenditures under the program are expected to stabilize employment for some 21,500 workers in 17 Ontario communities, most of which have a dependency upon the pulp and paper industry.

Due to the rationalization process and modernization investments being carried out by the paper companies over the next four or five years, there will be a reduction of some 1,127 jobs in the industry (Table 19). Of these, most of the reductions are expected to result from attrition or early retirement.

Throughout the program the responsibility for allocation and training of manpower resources arising from the modernization program remains with the individual companies. When skill requirements arising from the program cannot be obtained from Canada Employment Centre resources or where layoffs are expected to occur, each company was required to submit a manpower plan for each facility involved, to the Ontario Ministry of Labour and to the Canada Employment and Immigration Commission (CEIC) for approval.

PULP AND PAPER INDUSTRY FACILITIES IMPROVEMENT SUBSIDIARY
 AGREEMENT, INCENTIVES OFFERED

Table 18

Approval Date	Company	Approved Eligible Capital Costs (1) ('000)	Total Investment (1) ('000)	Incentive Offered ('000)
June 28/79	Spruce Falls Power and Paper Co. Ltd.	\$ 49,500	\$ 73,700	\$ 7,000
Oct. 10/79	Domtar Inc.	103,491	103,682	15,750
Oct. 10/79	E.B. Eddy Forest Products Ltd.	156,000	185,340	25,000
Dec. 27/79	Abitibi-Price Inc.	160,544	180,568	22,500
Jan. 4/80	Ontario Paper Co. Ltd.	189,600	221,300	32,000
March 27/80	Great Lakes Forest Products Ltd.	253,184	294,311	38,000
July 28/80	American Can Canada Inc.	52,592	52,592	7,000
Dec. 10/80	MacMillan Bloedel Industries Ltd.	10,070	10,070	1,000
Dec. 4/80	Great Lakes Forest Products Ltd. (Fine Paper)	76,176	76,176	10,000
March 19/81	Boise Cascade Canada Ltd.	143,369	156,847	20,000
TOTALS		\$1,194,524	\$1,354,586	\$178,250

(1) In 1978 dollars.

FINANCIAL SUMMARY

Under the agreed payment terms, Ontario has opted to pay its two-thirds share of each incentive to the applicant on an upfront basis, once a contract has been signed. Canada has retained its practice of payment through progress claims based on the implementation progress made by the applicant. Both Canada and the Province have agreed to make their respective incentive payments directly to the recipients.

To March 31, 1982, the Province has paid out incentives totalling \$118,818,000 which represents Ontario's total current liability under the Agreement. DREE payments, based on work completed total \$41,718,000. This represents 70% of the federal government's commitment of \$59,432,000.

PULP AND PAPER INDUSTRY FACILITIES IMPROVEMENT SUBSIDIARY AGREEMENT, EMPLOYMENT EFFECTS

Table 19

Company	Total Existing Jobs	Mill	Woods	Total Expected Jobs	Mill	Woods	Net Gain/ (Loss)
Spruce Falls	2,150	1,600	550	2,050	1,500	550	(100)
Domtar	2,571	2,267	304	2,554	2,250	304	(17)
E.B. Eddy	1,734	1,423	311	1,775	1,406	369	41
Abitibi-Price	5,390	3,710	1,680	5,150	3,470	1,680	(240)
Ontario Paper	1,456	1,352	104	1,149	1,045	104	(307)
Great Lakes	5,527	3,673	1,854	5,554	3,700	1,854	27
American Can*	891	559	332	861	529	332	(30)
MacMillan Bloedel	485	400	85	445	360	85	(40)
Great Lakes (Fine Papers)	included above	--	--	(69)	(69)	--	(69)
Boise Cascade	2,483	2,066	417	2,091	1,624	467	(392)
TOTALS	22,687	17,050	5,637	21,560	15,815	5,745	(1,127)

* On April 26, 1983 American Can expects to finalize the sale of its Marathon pulp mill to James River-Marathon Ltd., a new company to be owned 80% by James River Corp. and 20% by Buchanan Forest Products Ltd.

SUMMARY OF ALLOCATIONS AND AUTHORIZED COSTS
GDA SUBSIDIARY AGREEMENT
PULP AND PAPER INDUSTRY FACILITIES IMPROVEMENT
MARCH 31, 1982

Table 20

Program Component	Allocations and Authorized Costs		
	Federal	Provincial	Total
Spruce Falls	\$ 2,330,000	\$ 4,670,000	\$ 7,000,000
Domtar	5,250,000	10,500,000	15,750,000
E.B. Eddy	8,333,000	16,667,000	25,000,000
Abitibi Price	7,500,000	15,000,000	22,500,000
Ontario Paper	10,666,000	21,334,000	32,000,000
Great Lakes	12,666,000	25,334,000	38,000,000
American Can	2,335,000	4,665,000	7,000,000
MacMillan Bloedel	335,000	665,000	1,000,000
Great Lakes (Fine Paper supplement)	3,350,000	6,650,000	10,000,000
Boise Cascade	6,667,000	13,333,000	20,000,000
Total	59,432,000	118,818,000	178,250,000

Of the total allocation, \$180,000,000, there is an unauthorized balance of \$1,750,000 (\$568,000 Federal; \$1,182,000 Provincial).

PULP AND PAPER INDUSTRY FACILITIES IMPROVEMENT SUBSIDIARY AGREEMENT
FINANCIAL STATEMENT AS OF MARCH 31, 1982

Table 21

Program Component	Expenditure		Balance	
	1981-82 (Fed. Only)	Total to March 31/82 (Fed. & Prov.)	Unexpended Balance (Fed. Only)	Unexpended Balance as % of Authorized Cost (%)
Spruce Falls	--	\$ 7,000,000	--	0
Domtar	--	15,750,000	--	0
E.B. Eddy	\$ 4,275,000	24,291,000	709,000	2.8
Abitibi-Price	1,000,000	20,500,000	2,000,000	8.8
Ontario Paper	4,876,000	32,000,000	--	0
Great Lakes	1,206,000	33,007,000	4,993,000	13.1
American Can	1,000,000	5,665,000	1,335,000	19.0
MacMillan Bloedel	--	665,000	335,000	33.5
Great Lakes (Fine Papers)	1,675,000	8,325,000	1,675,000	16.7
Boise Cascade	--	13,333,000	6,667,000	33.3
TOTALS	\$14,032,000	\$160,536,000	\$17,714,000	9.9

Total Expenditure - Represents audited costs to March 31, 1982.

Unexpended Balance - This is the difference between authorized cost and total agreement expenditure to March 31, 1982.

EASTERN ONTARIO SUBSIDIARY AGREEMENT

SIGNED: December 20, 1979

EFFECTIVE PERIOD: December 20, 1979 to March 31, 1984

EASTERN ONTARIO SUBSIDIARY AGREEMENT AMENDMENTS

Table 22

Amendment Number	Date Signed	Description
1	Sept. 25/81	<ul style="list-style-type: none">. The funding ceiling for forgivable loans to small business is increased up to a maximum level of 50% of approved capital cost, not to exceed \$300,000. Eligible capital cost is increased from a maximum of \$500,000 to \$600,000.. The total allocation under the Agriculture Program (including South Nation River Basin Development) is revised from \$23,000,000 to \$22,850,000.. Total allocation under the Public Information Program is increased from \$100,000 to \$250,000.

TOTAL ELIGIBLE COST: \$50,350,000

EXPENDITURES: \$16,062,065 (to March 31, 1982)

COST-SHARE RATIO: 50% Federal - 50% Provincial

BACKGROUND:

Eastern Ontario is recognized as a slow-growth region, characterized by low income levels and pockets of high unemployment. The region's economic base is vulnerable to numerous sectoral pressures which include: increasing competition from foreign imports; the impact of a depreciated Canadian dollar; current industrial rationalization especially in the agricultural sector and, changing federal government policy governing the growth of the public service.

The economic development program undertaken by the governments of Canada and Ontario provides a set of initiatives which are designed to: stabilize, diversify and expand the economic base of the region; assist in the development of its natural resources while ensuring long-term availability; and stimulate private sector investment.

PROGRAM COMPONENTS

Approximately 80 per cent of program funding has been targetted for Eastern Ontario's resource industries, with \$40 million being earmarked for agriculture, water and land management, forestry, mining and tourism. An additional \$10 million has been allocated for the provision of incentive grants to small businesses.

- . Agriculture - The Program provides funds for the construction of municipal outlet drains on farmland, the promotion of new technology and farming systems and for the improvement of farm marketing techniques.

\$13.85 million

- . South Nation River Basin Development - This Program addresses the need for water and land management, due to annual flooding in the South Nation River Basin. It provides funds for interim flood controls and for studies to determine the most appropriate permanent solutions.

\$9.00 million

- . Forestry - Funding is provided to help rejuvenate the once thriving and now neglected forest industry of Eastern Ontario. The Program consists of three sub-programs including the taking of forest inventory, improvement of the resource base through planting and cutting, and the development of technology and markets for forest products.

\$9.0 million

- . Minerals - A thorough and systematic re-assessment of the region's mining potential is undertaken. Six sub-programs have been identified for assistance and include: geological surveys, mineral deposit studies, industrial mineral studies, aggregate resource assessment, geophysical survey, and engineering terrain evaluation.

\$4.0 million

- . Tourism - Recognizing the potential of tourism for future growth of the region, four million dollars has been allocated to provide financial assistance for feasibility studies, selected capital infrastructure, historic restoration and local costs associated with the development of regionally significant tourism projects.

\$4.0 million

- . Small Business Incentives - Interest-free, forgivable loans are made available to small business. To be eligible for assistance, a business must be involved in mining, quarrying, manufacturing, processing (which may include agricultural or forest products) or a related service industry. Maximum project funding has recently been raised up to 50% of approved capital cost (not to exceed \$600,000), to a maximum of \$300,000.

\$10.0 million

- . Public Information and Analysis and Review

A sum of \$250,000 is provided to disseminate information to the public concerning the programs available. An additional and equal amount of funding will go towards analyzing and reviewing completed programs and evaluating their overall effectiveness.

\$0.5 million

PROGRAM IMPLEMENTATION

Progress

Management Committee has designated seven program sub-committees (Analysis and Review Program excluded), involving some 40 federal-provincial officials, to assist in the implementation of the Agreement.

To September 30, 1982, 472 projects have been approved for a total authorized commitment of \$38.9 million.

	<u>Projects</u>	<u>Commitment</u> <u>(\$ million)</u>
Agriculture	261	\$ 9.23
South Nation River Basin Development	25	7.92
Forestry	14	8.73
Minerals	30	3.13
Tourism	22	1.31
Small Business Incentives	116	8.20
Analysis and Review	3	.09
Public Information	<u>1</u>	<u>.25</u>
TOTAL PROJECTS	<u>472</u>	<u>\$38.86</u>

Issues

Cash flow problems continue to be encountered in the Municipal Outlet Drainage sub-program. A total of \$7.6 million has been authorized for expenditures yet only \$2.2 million has been claimed to date. This delay in claims is due to the fact that the program is governed by the Ontario Drain Act, whereby engineers have up to one full year prior to signing off the construction work and to submitting claims.

The South Nation River sub-program has encountered some difficulty with the proposed Contract V, a Chesterville interim flood control project. The consultants, after careful analysis, concluded that the interim flood control works could not be justified on the basis of flood control alone. However, the channelization could be justified on the basis of a positive cost ratio for improved agricultural drainage outlets. Management Committee was asked to rule on this matter and decide whether or not to go ahead with the proposed construction of the channel.

Evaluation

As of March 31, 1982, \$50,000 has been approved under the Analysis and Review Program for the purpose of evaluation and administration. To date, fifteen standard, computerized data reports have been produced for Management Committee (July 16, 1980 to December 31, 1982). A regular reporting system has been established:

- . October 15 - fiscal year quarters 1 and 2
- . January 15 - fiscal year quarters 1, 2 and 3
- . April 15 - fiscal year, preliminary total
- . June 15 - fiscal year total

(Note: each report also includes cumulative data.)

An annual report is being prepared and will be completed by March 1983.

FINANCIAL SUMMARY

Tables 23 and 24 depict the current financial status and the cash flow forecast for the remaining year of the Agreement.

EASTERN ONTARIO SUBSIDIARY AGREEMENT
FINANCIAL STATEMENT AS OF MARCH 31, 1982

Table 23

Program	Authorized ⁽¹⁾ Cost	Expenditure		Balance	
		1981-82	Total to March 31/82	Unexpended Balance	Unexpended Balance as % of Authorized Cost (%)
Agriculture	\$ 8,494,674	\$1,632,845	\$ 2,556,728	\$ 5,937,946	69.9
South Nation River Basin Development	8,301,028	2,111,072	3,897,385	4,403,643	53.0
Forestry	5,448,256	2,589,327	5,267,543	180,713	3.3
Minerals	1,852,894	1,275,309	1,774,419	78,475	4.2
Tourism	2,321,500	497,135	497,135	1,824,365	78.6
Small Business Incentives	6,079,760	1,528,334	1,924,844	4,154,916	68.3
Analysis & Review	50,000	11,352	19,413	30,587	61.1
Public Information	250,000	101,341	124,598	125,402	50.1
TOTALS	\$32,798,112	\$9,746,715	\$16,062,065	\$16,736,047	51.0

(1) As stated in Schedule 'A'. Includes a 10 per cent allowance for administration, survey and engineering costs where applicable.

EASTERN ONTARIO SUBSIDIARY AGREEMENT
CASH FLOW FORECAST

Table 24

Program	Cash Flow Forecast		
	1982-83	1983-84	1984-85
Agriculture	\$ 2,900,000	\$ 4,750,000	\$3,643,300
South Nation River Basin Development	1,920,000	2,640,000	\$42,600
Forestry	2,380,000	964,000	388,400
Minerals	1,258,000	784,000	183,600
Tourism	1,000,000	2,000,000	502,900
Small Business Incentives	3,000,000	5,000,000	75,200
Analysis & Review	60,000	30,000	140,600
Public Information		10,000	115,400
TOTALS	\$12,518,000	\$16,178,000	\$5,592,000

**NORTHERN RURAL DEVELOPMENT
SUBSIDIARY AGREEMENT**

SIGNED: March 2, 1981

EFFECTIVE PERIOD: March 2, 1981 to March 31, 1984

**NORTHERN RURAL DEVELOPMENT
SUBSIDIARY AGREEMENT**

Table 25

<u>Amendment Number</u>	<u>Date Signed</u>	<u>Description</u>
1	Feb. 3, 1982	<ul style="list-style-type: none">. Eligibility for projects included within the Agricultural Development Program and the Rural Forest Production sub-program adjusted to include applicants living within the municipal limits of major urban centres.. Contract awards to be based upon the lowest evaluated bid.. Basis of employment incentives assistance adjusted.. Natural Resources Development Program description amended.. Tourism Development Program description amended.
2	Dec. 7, 1982	<ul style="list-style-type: none">. \$40,000 transferred from Program Analysis Program to Public Information Program.

TOTAL ELIGIBLE COST: \$18,500,000

EXPENDITURES: \$261,008 (to March 31, 1982)

COST-SHARE RATIO: \$17.0 million - 50% Federal - 50% Provincial
\$1.5 million - 100% Federal (DREE 50% DIAND 50%)

BACKGROUND:

Canada and the Province of Ontario recognized the need to create a comprehensive rural development mechanism that would continue selected activities initiated under the former Canada-Ontario Agricultural and Rural

Development Agreement (ARDA) as well as pursue a range of other, small-scale program opportunities that would benefit from further federal and provincial support.

The Agreement is designed to assist the expansion and diversification of economic activities in the rural areas of northern Ontario. The initiative will help to attract additional private investment, create or sustain job opportunities and increase the income levels of local residents.

PROGRAM COMPONENTS:

The programs provided through the Agreement respond to both long-standing needs and new opportunities associated with agriculture, forestry, mining, tourism and other natural resources in rural, northern Ontario. In addition, funding assistance is provided for small-scale rural industry and selected commercial undertakings.

- . Agricultural Development - Assistance is provided to farmers and agricultural service businesses to increase the use of applied technology. New methods and practices aimed at improving the efficiency of agriculture in the north are being demonstrated and applied. The Program provides funds for projects that identify market opportunities, support farm development for increased production or facilitate farm rationalization through land consolidation. It also assists in establishing or expanding facilities for processing and marketing agricultural products.

\$4.7 million

- . Natural Resources Development - Small-scale projects intended to expand the utilization of the natural resource base in rural areas are encouraged by providing assistance for industrial mineral studies, aggregate mapping, resource inventories and related research. Land owners are encouraged to increase rural forest production. Funding is also provided to complete the geo-scientific data base in specific areas of high mineral potential.

\$4.0 million

- . Tourism Development - Tourism assistance is provided to the private sector for marketing and promotion, development of special attractions and support towards studies of larger projects and potential tourist zones.

\$3.0 million

- . Rural Employment Incentives - The development of small-scale rural industry and selected commercial activities is being assisted by providing support for manufacturing and processing enterprises, marketing facilities, related repair facilities and other strategic commercial undertakings.

Assistance to entrepreneurs is provided in the form of interest-free forgivable loans up to \$100,000 or 50 per cent of approved capital costs.

\$2.5 million

- . Rural Industrial Infrastructure - Further assistance is provided towards mapping, water and power supply, waste disposal, site access and other public services to remove specific physical constraints to the development of identified small-scale private sector projects.

For private sector assistance, funding is in the form of interest-free forgivable loans, up to a maximum of 50 per cent of approved capital costs or \$100,000, whichever is the lesser.

In the case of assistance to the public sector, such as municipalities, funding is in the form of grants, normally not exceeding 75 per cent of approved capital costs or \$200,000, whichever is the lesser.

\$2.5 million

- . Assistance to Status Indians - Projects under the above programs that primarily benefit Status Indians in rural northern Ontario are predominantly financed through the federal Departments of Regional Economic Expansion and Indian and Northern Affairs.

\$1.5 million
(federal)

- . Public Information and Program Analysis and Review - A sum of \$100,000 has been provided to develop programs designed to inform the public about the benefits it can derive under this Subsidiary Agreement. An additional \$200,000 will go towards analyzing and reviewing completed programs and evaluating their overall effectiveness.

\$0.3 million

PROGRAM IMPLEMENTATION:

Progress

There has been considerable progress on projects in each program area over the last fiscal year. To November 30, 1982, 194 projects were approved in the following programs:

	<u>Projects</u>	<u>Status</u>
Agricultural Development	88	All in Progress
Natural Resources Development	21	
Tourism Development	47	
Rural Employment Incentives	29	
Rural Industrial Infrastructure	1	
Native Funding Assistance	4	
Public Information	4	
Program Analysis	0	
TOTAL PROJECTS	<u>194</u>	

Management Committee has designated four program sub-committees to assist in the implementation of the Agreement. In addition to the six voting members who sit on Management Committee, approximately 30 other federal and provincial officials are involved in sub-committee administration.

Issues

Given the need to develop program guidelines and related financial and administrative procedures, programs were not accessible for some six months after Agreement signing. However, that delay has been overcome by an intensive public information program. A high level of project development and approval activity in all program areas (except Industrial Infrastructure) is currently underway.

Evaluation

A staff committee, made up of officials of DREE and the Ministry of Treasury and Economics, is preparing a conceptual outline of the process to be utilized for program monitoring and evaluation.

The first annual report for the Agreement is in draft form and is to be considered by the Management Committee in the near future.

FINANCIAL SUMMARY

Tables 26 and 27 depict the current financial status and future spending intentions of the Agreement.

PROGRAM EFFECTIVENESS

As the majority of programs are currently in progress, with a substantial number of projects still to be approved, it is difficult to measure actual results at this point in Agreement implementation.

NORTHERN RURAL DEVELOPMENT SUBSIDIARY AGREEMENT
FINANCIAL STATEMENT AS OF MARCH 31, 1982

Table 26

Program Component	Authorized Cost	Expenditure		Balance	
		1981-82	Total to March 31/82	Unexpended Balance	Unexpended Balance as % of Authorized Cost (%)
Agricultural Development	\$ 947,616	\$261,008	\$ 261,008	\$ 4,438,992	94.4
Natural Resources Development	916,560	--	--	4,000,000	100
Tourism Development	306,690	--	--	3,000,000	100
Rural Employment Incentives	338,710	--	--	2,500,000	100
Rural Industrial Infrastructure	0	--	--	2,500,000	100
Assistance to Status Indians ⁽¹⁾	0	--	--	1,500,000	100
Analysis and Review	0	--	--	200,000	100
Public Information	46,600	--	--	100,000	100
TOTALS	\$ 2,556,176	\$261,008	\$ 261,008	\$18,238,992	98.6

(1) Optional federal funding.

NORTHERN RURAL DEVELOPMENT AGREEMENT
CASH FLOW FORECAST

Table 27

Program Component	Cash Flow Forecast 1982-83
Agriculture Development	\$1,300,000
Tourism Development	560,000
Rural Employment Incentives and Infrastructure	1,025,000
Natural Resource Development	725,000
Public Information	35,000
Program Analysis and Review	--
Native Funding*	300,000
TOTALS	\$3,945,000

Note: as at November 30, 1982.

*DIAND share of federally funded (100%) projects included in these totals.

**SAULT STE. MARIE
INFRASTRUCTURE**

SUBSIDIARY AGREEMENT

SIGNED: May 20, 1982

AMENDMENTS: none (to December 31, 1982)

TOTAL ELIGIBLE COST: \$45,300,000

EXPENDITURES: \$165,000 (to December 31, 1982)

COST-SHARE RATIO: 33-1/3% Federal - 33-1/3% Provincial - 33-1/3% City of Sault Ste. Marie. The Federal and Provincial governments and the City share all eligible costs on a one-third each basis up to \$63,000,000. (\$21,000,000 each.) This is the maximum federal contribution. The balance of the eligible costs, \$6,600,000 will be shared equally by the Province of Ontario and the City of Sault Ste. Marie.

BACKGROUND:

Current and future economic growth in Sault Ste. Marie is limited due to inadequate water and sewer facilities. In 1980, a freeze on residential construction in the west end was put into effect due to the lack of sewage capacity. Algoma Steel Corporation, employing some 11,120 persons, has announced a major expansion program over the next 5 years, thus exacerbating the sewage problems facing the City. To ensure that private investment and job creation in the manufacturing and other sectors of the economy are not hindered by a lack of infrastructure, the governments of Canada and Ontario and the City of Sault Ste. Marie are funding a new sewage treatment plant and water supply system in the west end of the City.

PROGRAM COMPONENTS:

- . Sewage Works - The construction of a sewage treatment plant, including an outfall sewer with a diffuser and trunk sewers.

\$32,850,000
- . Water Works - The construction of a pumping station with an intake at Gros Cap, a water transmission line, water filtration plant, pressure watermain and associated reservoirs.

\$36,650,000
- . Evaluation & Public Information -

\$ 100,000

PROGRAM IMPLEMENTATION:

This Subsidiary Agreement was negotiated on behalf of the federal government by the Department of Regional Economic Expansion (DREE). On September 3, 1982, federal responsibility for the implementation of this Agreement was transferred from DREE to Public Works Canada.

Progress

As of the spring 1983, project consulting agreements have been executed and work is in progress. Design, engineering and tender document preparation were in an advanced stage of development. It is proposed that the first of a number of project tenders will be tendered early in 1983. Expenditures to the end of 1982 have been advances on indirect costs for consulting and planning.

Issues

There is an unresolved issue as to whether construction supervision and engineering services work may be considered as direct costs rather than indirect costs.

FINANCIAL SUMMARY

Tables 3 and 4 summarize the allocations, authorized costs and cash flow for this agreement. A more detailed cash flow will be available when project tenders are awarded, beginning in 1983.

APPENDIX

**CANADA-ONTARIO ODA SUBSIDIARY AGREEMENTS
MANAGEMENT COMMITTEES EXECUTIVES
DECEMBER 31, 1982**

<u>Subsidiary Agreement</u>	<u>Federal</u>		<u>Provincial</u>	
	<u>Co-Chairman</u>	<u>Co-ordinator</u>	<u>Co-Chairman</u>	<u>Co-ordinator</u>
Northeastern Ontario	Mr. R.H. Pryde DREE	Mr. T.J. Dooner DREE	Mr. A.J. Dimatteo MNA	Mr. R.L. Grossutti MNA
Single-Industry Resource Communities	Mr. W. Mokomela DREE	Mr. N. Saari DREE	Mr. J.N. Stuart MNA	Mr. F.H. Lane MNA
Community and Rural Resource Development	Mr. R.H. Pryde DREE	Mr. J.D.W. Forbes DREE	Mr. M.H. Gosar MTE	Mr. M.H. Gosar MTE
Forest Management	Mr. J.H. Cayford CFS	Mr. R.A. Haig CFS	Mr. A. Peacock MNR	Mr. E. Markus MNR
Pulp and Paper Facilities Improvement	Mr. D.C. Graham DREE	Mrs. Y. Baldachin DREE	Mr. D.M. Allan OMAF	Mr. M.H. Gosar MTE
Eastern Ontario	Mr. D.C. Graham DREE	Mrs. Y. Baldachin DREE	Mr. C.P. Honey MTE	Mr. M.H. Gosar MTE
Northern Rural Development	Mr. D.C. Graham DREE	Mr. W. Mokomela DREE	Mr. H.J. Aiken MNA	Mr. R.L. Grossutti MNA
Sault Ste. Marie	Mr. E. Manchul PWC	Mr. N. Alexeichenko PWC	Mr. G.K. Ormerod MNA	Mr. A.J. Dimatteo MNA

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